

CHARTER TOWNSHIP OF MILFORD LIBRARY

FINANCIAL REPORT  
December 31, 2006

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## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name MILFORD PUBLIC LIBRARY	County OAKLAND
Fiscal Year End DECEMBER 31, 2006	Opinion Date FEBRUARY 21, 2007	Date Audit Report Submitted to State JUNE 4, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

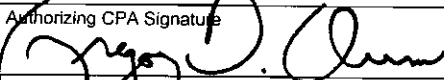
YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NO COMMENTS OR RECOMMENDATIONS	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BREDEPNITZ, WAGNER & CO., P.C.		Telephone Number 517-546-2130	
Street Address 109 WEST CLINTON STREET		City HOWELL	State MI
Authorizing CPA Signature 		Printed Name GREGORY D. CLUM	Zip 48843
		License Number 1101014127	

**BREDERNITZ, WAGNER & CO., P.C.**

*Certified Public Accountants*

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**PRINCIPALS**

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GREGORY D. CLUM, CPA, CGFM

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**CONSULTANTS**

DAVID L. BREDERNITZ, CPA  
HERBERT P. WAGNER, JR., CPA

INDEPENDENT AUDITORS' REPORT

To the Charter Township  
of Milford Library Board  
Milford, Michigan

We have audited the accompanying financial statements of the Charter Township of Milford Library as of and for the year ended December 31, 2006, which collectively, comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Milford Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter Township of Milford Library as of December 31, 2006, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of

the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Milford Library's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and other supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Braden, Wagner & Co, P.C.*

Howell, Michigan  
February 21, 2007

CHARTER TOWNSHIP OF MILFORD LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Years Ended December 31, 2006 and  
December 31, 2005  
(Unaudited)

Using this Annual Report

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These *Fund Financial Statements* focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *Government-Wide Financial Statement* columns provide both *long-term* and *short-term* information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remain for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

CHARTER TOWNSHIP OF MILFORD LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Years Ended December 31, 2006 and  
December 31, 2005  
(Unaudited)

Condensed Financial Information

The table below shows key financial information in a condensed format:

	<u>December 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Current assets	\$1,616,780	1,544,385
Capital assets	<u>1,128,781</u>	<u>1,235,543</u>
Total assets	<u>2,745,561</u>	<u>2,779,928</u>
Current liabilities	<u>1,095,380</u>	<u>1,029,403</u>
Total liabilities	<u>1,095,380</u>	<u>1,029,403</u>
Net assets:		
Invested in capital assets, net of debt	1,128,781	1,235,543
Restricted for endowment	192,079	189,829
Unrestricted	<u>329,321</u>	<u>325,153</u>
Total net assets	<u>\$1,650,181</u>	<u>1,750,525</u>
Revenue:		
Property taxes	\$ 990,343	947,552
Other	<u>107,981</u>	<u>113,564</u>
Total revenue	<u>1,098,324</u>	<u>1,061,116</u>
Expenses - Library services	<u>1,201,006</u>	<u>1,253,688</u>
Change in net assets	<u>\$ (102,682)</u>	<u>(192,572)</u>

CHARTER TOWNSHIP OF MILFORD LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Years Ended December 31, 2006 and  
December 31, 2005  
(Unaudited)

The Library as a Whole

- The Library reports net assets of \$1,650,181 this year on a full accrual basis, as compared to \$521,400 on the modified accrual basis of accounting.
- The Library's primary source of revenue is from property taxes. Total tax collections were \$990,343 representing 90.2% of total revenue for the year.
- Salaries and fringe benefits are the largest overall expenditure of the Library. This expenditure was \$671,193 representing 55.9% of the Library's total expenditures for the year ended December 31, 2006.
- Total expenditures for the year under the modified accrual method of accounting were \$1,091,906.
- The Library's conversion to meet GASB 34 standards, which includes capitalization of Library-owned assets and associated depreciation expense, is reflected in the statement of activities on page 9 of this financial report.

The Library's Fund

Our analysis of the Library's General fund is included on pages 8 and 9 in the first column of the respective statements. The fund column provides detailed information about the General fund on a modified accrual basis of accounting, which is a short term perspective measuring the flow of financial resources, - not the Library's operations on a full accrual basis of accounting, which provides a longer term measurement of total economic resources. The Library's only fund is the General Fund.

The fund balance of the General Fund increased \$6,418 for the year. This represents unspent revenue greater than expenses.

The Library board has designated funds to help manage money for specific purposes, such as future building and technology needs and to reserve donations received specifically for artwork in the library.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Years Ended December 31, 2006 and  
December 31, 2005  
(Unaudited)

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. Amendments occurred in several revenue appropriations to more accurately reflect actual income.

Estimated expenditures for General Administration were adjusted downwards, in line with actual costs. This reduction was due in part and to lower-than-anticipated annual cost increases for personnel. Filling of one position was deferred, and there were less expenditures for education and training, dues, and mileage than originally budgeted.

Maintenance services, and Utilities cost estimates were increased. Repairs/maintenance were made to more accurately reflect the ongoing cost of building operation and maintenance. Increased expenditures for programming are also reflected in the budget amendments.

Budgeted revenues were amended to reflect a decrease in penal fine revenue, an increase in interest revenue, and increased "other local revenue", or Community Room use fees.

Capital Assets & Debt Administration

At the end of the fiscal year, the Library had approximately \$1,128,781 invested in building improvements, furniture and equipment, and books and materials. The Library added \$96,000 in new collection items consisting of new books, various audio/visual materials, and enhancement of the music collection.

It should be noted that the library building itself is an asset of the Charter Township of Milford, and therefore, does not appear as an asset of the Library.

The Library carries no long-term debt; debt related to the library building bond is administered by Milford Township (see Notes to Financial Statements 8).



MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)  
For the Years Ended December 31, 2006  
December 31, 2005  
(Unaudited)

Next Year's Budget and Millage Rates

The budget for fiscal year 2007 represents an increase of approximately 0.5% over the original budget for fiscal year 2006.

The Library's total millage rate of 1.4 mills is rolled back in the coming year to a collection rate of 1.1447 mills. Based on the taxable value of the property in the Library's township of \$950,886,440, this will generate approximately \$1,088,480 in tax revenue.

Property taxes account for nearly 90% of budgeted library revenues.

Most line item expenditures are consistent with previous budget years.

Anticipated major expenditures for fiscal year 2006 include replacement of sidewalks and computers.

Adjustments to the budget for fiscal year 2006 are anticipated to reflect reduced state aid, improved interest revenue on investments, Community Room use fees revenue, increased programming expenditures, telecommunications network cost increases, and cost increases (utilities, mileage, shipping) due to dramatic increases in oil and gas costs.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons and donors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director, Tina Hatch, at (248) 684-0845, ext. 101.

CHARTER TOWNSHIP OF MILFORD LIBRARY  
GOVERNMENTAL FUND BALANCE SHEET /  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2006

	General Fund, Modified Accrual Basis	Adjustments (Note 9)	Statement of Net Assets
<b>Assets</b>			
Cash and investments (Note 3)	\$ 530,709	-	530,709
Property taxes receivable	595,918	-	595,918
Due from other governmental units	482,651	-	482,651
Prepaid expenses	7,502	-	7,502
Capital assets (Note 4):			
Capital assets not being depreciated	-	57,035	57,035
Capital assets being depreciated - Net	<u>-</u>	<u>1,071,746</u>	<u>1,071,746</u>
<b>Total Assets</b>	<b><u>\$ 1,616,780</u></b>	<b><u>1,128,781</u></b>	<b><u>2,745,561</u></b>
<b>Liabilities</b>			
Accounts payable and other	\$ 12,206	-	12,206
Deferred revenue	<u>1,083,174</u>	<u>-</u>	<u>1,083,174</u>
<b>Total Liabilities</b>	<b><u>1,095,380</u></b>	<b><u>-</u></b>	<b><u>1,095,380</u></b>
<b>Fund Balance</b>			
Reserved for endowment	192,079	(192,079)	-
Reserved for tax appeals	20,000	(20,000)	-
Unreserved:			
Designated for art sculpture	1,500	(1,500)	-
Designated for building improvements	100,000	(100,000)	-
Designated for technology improvements	13,000	(13,000)	-
Undesignated	<u>194,821</u>	<u>(194,821)</u>	<u>-</u>
<b>Total fund balance</b>	<b><u>521,400</u></b>	<b><u>(521,400)</u></b>	<b><u>-</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 1,616,780</u></b>		
<b>Net assets:</b>			
Invested in capital assets		1,128,781	1,128,781
Restricted for endowment		192,079	192,079
Unrestricted		<u>329,321</u>	<u>329,321</u>
<b>Total net assets</b>		<b><u>\$ 1,650,181</u></b>	<b><u>1,650,181</u></b>

The notes to financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF MILFORD LIBRARY  
STATEMENT OF GOVERNMENTAL REVENUE,  
EXPENDITURES, AND CHANGES IN  
FUND BALANCE / STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2006

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	General Fund, Modified Accrual Basis	Adjustments (Note 9)	Statement of Activities
Revenue			
Current and delinquent property tax	\$ 951,659	-	951,659
Industrial facilities tax	38,684	-	38,684
Single business tax	1,454	-	1,454
Charges for service - sales	4,005	-	4,005
State aid	5,536	-	5,536
Gifts, memorials, and other	6,783	-	6,783
Book fines	21,772	-	21,772
Penal fines	23,887	-	23,887
Interest of investments	41,694	-	41,694
Service charge	2,850	-	2,850
Total Revenues	<u>1,098,324</u>	<u>-</u>	<u>1,098,324</u>
Expenditures			
Salaries	541,726	-	541,726
Payroll taxes	40,981	-	40,981
Employee benefits	88,486	-	88,486
Supplies	18,418	-	18,418
Contracted services	30,962	-	30,962
The Library Network	44,902	-	44,902
Communications	5,066	-	5,066
Memberships, dues, and travel	2,041	-	2,041
Advertising and promotion	8,194	-	8,194
Postage	2,335	-	2,335
Insurance	27,406	-	27,406
Utilities	95,826	-	95,826
Repairs and maintenance	81,344	-	81,344
Books	53,027	(53,027)	-
Periodicals	14,099	(14,099)	-
Audio/Visual	25,991	(25,991)	-
Electronic resources	3,000	-	3,000
Capital outlay	3,757	(3,757)	-
Depreciation	-	205,974	205,974
Programming	3,579	-	3,579
In-service training	750	-	750
Refunds and rebates	16	-	16
Total Expenditures	<u>1,091,906</u>	<u>109,100</u>	<u>1,201,006</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures/Change in Net Assets	6,418	(109,100)	(102,682)
Fund Balance/Net Assets - Beginning of year (Note 5)	<u>514,982</u>	<u>1,237,881</u>	<u>1,752,863</u>
Fund Balance/Net Assets - End of year	<u>\$ 521,400</u>	<u>1,128,781</u>	<u>1,650,181</u>

The notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION

Definition of the reporting entity:

The Charter Township of Milford Library was established for the purpose of providing all residents of Milford Township and the surrounding areas with access to materials and services for information, education, culture, and recreation. The Library is governed by an elected six member board.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the local unit. There are no component units of the Library. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Basis of presentation:

The financial statements present the fund financial statement on a modified accrual basis with an adjustment to present the statement of net assets and the statement of activities on a full accrual basis.

Fund Financial Statements:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Library, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds which are maintained in accordance with the activities or objectives specified.

The financial activities of the Library are recorded on one fund as follows:

Governmental Fund:

General Fund: This fund accounts for all financial resources except those provided for in another fund. Revenues are derived primarily from property taxes and penal fines. This fund includes the general operating expenses of the Library.

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Milford Library conform to accounting principles generally accepted in the United State of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Measurement focus/basis of accounting:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the Charter Township of Milford Library conform to generally accepted accounting principles as applicable to governmental units.

Governmental Fund

The Governmental Fund Type (General Fund) uses a financial resources measurement and focus and is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

Cash and Cash Equivalents:

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

Compensated absences (vacation and sick leave):

Vacation time that is unused at the employee's employment anniversary date does not carry over to the following year. Sick time does carry over to the following year at a limited amount. The amount of sick time at December 31 is immaterial and, therefore, not recorded. The Library has no liability for employee compensated absences.

Current property taxes:

Properties are assessed as of December 31 and the related property taxes become a lien on December 1. These taxes are due

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue at December 31.

The 2005 State taxable valuation of the Library totaled \$855,529,210 on which ad valorem taxes levied consisted of 1.1447 mills raising approximately \$979,300 for operating purposes.

Capital Assets:

Capital assets are defined by the Library as assets with an initial cost of more than \$500, several similar assets with a combined initial cost of more than \$1,000, or items which do not fall under the previously mentioned criteria, but are mobile and/or highly susceptible to theft with an initial cost of more than \$200 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture, fixtures, and equipment	3-10 years
Library books and audiovisual materials	10 years

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Budgets and budgetary accounting:

The annual budget is adopted by the Library Board prior to the beginning of the budgetary year. Subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end. The Library does not use the encumbrance method of accounting for budgetary purposes. During the current year, the budget was amended in a legally permissible manner.

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Formal budgetary integration is employed as a management control device. The budget has been prepared on a modified accrual basis, which is in conformity with generally accepted accounting principles.

## Note 3. CASH AND INVESTMENTS

The Library is authorized by Michigan Public Act 20- of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, banker's acceptances, mutual funds and bank investment pools that are composed of authorized investment vehicles. The Library's deposits and investments are in accordance with statutory authority. The Library's cash and investments are subject to risk, which is examined in more detail below:

CUSTODIAL CREDIT RISK OF BANK DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. The Library's deposits are administered by the Charter Township of Milford and are held in separate accounts in the name of the township. The federal depository insurance coverage pertains to all the deposits of the township; hence, the specific coverage pertaining to the Library's deposits, if any, is not determinable. The township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

## Note 4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance January 1, 2006	Net Additions (Deletions)	Balance December 31, 2006
Capital assets not being depreciated - Land	\$ 57,035	-	57,035

## Note 4. CHANGES IN GENERAL FIXED ASSETS (Concluded)

Capital assets being  
depreciated:

Furniture, fixtures, and equipment	\$872,807	29,748	902,555
Books and recordings	<u>974,085</u>	<u>67,126</u>	<u>1,041,211</u>
Total	1,903,927	96,874	2,000,801
Accumulated Depreciation	( <u>666,046</u> )	( <u>205,974</u> )	( <u>872,020</u> )
Net Book Value	<u>\$1,237,881</u>	( <u>109,100</u> )	<u>1,128,781</u>

## Note 5. PRIOR PERIOD ADJUSTMENT

The Library's investment in capital assets was understated at December 31, 2005 by \$2,338. This resulted in total assets and net assets being understated at December 31, 2005 and change in net assets for the year ended December 31, 2005 being understated by \$2,338.

## Note 6. LEASE AGREEMENT

During the year ended December 31, 2003, the Library moved to a new facility. The new facility was built primarily from the proceeds of bonds issued by the Township of Milford. The principal and interest on the bonds are being paid by the Township from a voted millage. The portion of the bonded debt relating to the Library facility is \$6,075,000.

During the year ended December 31, 2004, the Library entered into an operating lease agreement with the Township for the building and the grounds on which the Library is located. Under the terms of the 30-year agreement for the building and 90-year agreement for the grounds, rent under the lease is \$1 per year. The Township will retain all ownership rights of the Library building.

During the year ended December 31, 2005, the Township of Milford issued general obligation bonds with an average interest rate of 3.98 percent. Proceeds from these bonds were used to advance refund the bonded debt related to the Library facility, previously discussed, with an average interest rate of 5.09 percent. As a result, the bonds are considered to be defeased. The advance refunding reduced the total debt service payments by approximately \$330,000, which represents an economic gain of approximately \$184,000. This will reduce the future debt millage rate as a result of the change in debt repayment schedule.



## Note 7. RETIREMENT PLANS

The Library provides pension benefits to all of its employees through a simplified employee pension plan. In a simplified employee pension plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after three years of service with the Library. As established by the Library's board, the Library contributes 5 percent of employees' gross earnings. In accordance with these requirements, the Library contributed \$19,517 during the current year. The Library's contributions for each employee are fully vested immediately.

## Note 8. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and workers' compensation. The Library has purchased commercial insurance for medical benefits claims, and participates in the Michigan Townships Participating Plan for claims relating to property loss, torts, and errors and omissions; the Library is uninsured for unemployment compensation claims. The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

## Note 9. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from the net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in assets.

Total Fund Balance - Modified Accrual Basis	\$ 521,400
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	<u>1,128,781</u>
Net Assets of General Fund - Full Accrual Basis	<u>\$1,650,181</u>

## Note 9. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE FINANCIAL STATEMENTS (Concluded)

Net Change in Fund Balances - Modified Accrual Basis      \$      6,418

Amounts reported in the statement of activities  
are different because:

Capital outlays are reported as expenditures in  
statement of revenue, expenditures, and changes  
in fund balance, in the statement of activities,  
these costs are allocated over their estimated  
useful lives as depreciation:

Library books and materials	93,117
Maintenance, supplies and capital outlay	3,757
Depreciation	<u>(205,974)</u>
Change in Net Assets of General Fund -	
Full Accrual Basis	\$ <u>(102,682)</u>

CHARTER TOWNSHIP OF MILFORD LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue				
Current and delinquent property tax	\$ 972,000	951,100	951,659	559
Industrial facilities tax	38,300	38,300	38,684	384
Single business tax	1,450	1,450	1,454	4
Charges for service - Sales	5,000	3,500	4,005	505
State aid	13,000	5,500	5,536	36
Gifts, memorials, and other	6,000	6,535	6,783	248
Book fines	18,000	18,000	21,772	3,772
Penal fines	20,000	23,500	23,887	387
Interest on investments	12,000	30,346	41,694	11,348
Service charge	-	2,250	2,850	600
Total Revenues	1,085,750	1,080,481	1,098,324	17,843
Expenditures				
Salaries	600,000	558,055	541,726	16,329
Payroll taxes	45,900	43,900	40,981	2,919
Employee benefits	108,300	97,100	88,486	8,614
Supplies	20,000	20,000	18,418	1,582
Contracted services	26,200	32,800	30,962	1,838
The Library Network	49,500	46,500	44,902	1,598
Communications	5,200	5,200	5,066	134
Memberships, dues, and travel	4,100	3,100	2,041	1,059
Advertising and promotion	6,800	12,565	8,194	4,371
Postage	2,080	2,480	2,335	145
Insurance	27,500	27,500	27,406	94
Utilities	80,000	96,000	95,826	174
Repairs and maintenance	69,550	83,550	81,344	2,206
Books	51,820	55,820	53,027	2,793
Periodicals	15,000	15,000	14,099	901
Audio/Visual	24,600	27,754	25,991	1,763
Electronic resources	3,280	3,280	3,000	280
Capital outlay	3,950	4,592	3,757	835
Programming	1,900	6,245	3,579	2,666
In-service training	2,000	1,000	750	250
Refunds and rebates	30	30	16	14
Miscellaneous	40	10	-	10
Total Expenditures	1,147,750	1,142,481	1,091,906	50,575
Excess of Revenues Over Expenditures	(62,000)	(62,000)	6,418	68,418
Fund Balance - Beginning of year	514,982	514,982	514,982	-
Fund Balance - End of year	\$ 452,982	452,982	521,400	68,418